

## Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 /102 W

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R 091615Z FEB 76

FM AMEMBASSY ALGIERS

TO SECSTATE ASHDC 3817

INFO AMEMBASSY MADRID

AMEMBASSY PARIS

AMEMBASSY BONN

C O N F I D E N T I A L ALGIERS 0323

E.O. 11652: GDS

TAGS: ENRG, AG

SUBJECT: ALGERIAN LNG MARKETING PLANS

SUMMARY: ACCORDING SENIOR SONATRACH OFFICIAL, ALGERIA CURRENTLY NEGOTIATING LONG-TERM GAS CONTRACT WITH GAZ DE FRANCE AND WILL SOON ANNOUNCE SIMILAR CONTRACT WITH SAAR FERN GAS OF GERMANY. GAS FOR THESE CONTRACTS WILL COME FROM ARZEW-II ON WHICH CONSTRUCTION LIKELY TO BEGIN THIS YEAR. OFFICIAL ALSO EXPLAINED PLANNED DISPOSITION OF LNG FROM NEW FACILITIES AT SKIKDA. END SUMMARY.

1.S LIMANE BOUGUERRA, HEAD OF SONATRACH'S COMMERICAL-IZATION DIVISION TOLD EMBOFF FEB 5 THAT DISCUSSIONS WITH BIDDERS ON CONSTRUCTION OF ARZEW-II LNG FACILITY WERE WELL UNDERWAY. IN RESPONSE TO QUESTION ABOUT DISPOSITION OF GAS PRODUCED BY ARZEW-II, BOUGUERRA SAID MOST LIKELY TO GO TO EUROPE. BELGIANS, HE NOTED, HAD SIGNED CONTRACT WITH SONATRACH FOR 3.5 BILLION CUBIC METERS PER YEAR (ON NOV 27, 1975) AND  
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NEGOTIATIONS NOW UNDERWAY WITH GAZ DE FRANCE FOR

SIMILAR AMOUNT. BOUGUERRA SAID THAT SONATRACH WOULD SOON ANNOUNCE CONTRACT WITH SAAR-FERGAS FOR SALE OF 1.5 BILLION CUBIC METERS PER YEAR OF GAS.

2. BOUGUERRA NOTED THAT ADDITIONAL AMOUNTS OF GAS LEFT FROM ARZEW-II PRODUCTION AFTER FULFILLMENT OF EUROPEAN CONTRACTS WOULD GO TO EASCOGAS (U.S.). EASCOGAS QUANTITY FROM ARZEW-II NOT DEFINITE SINCE BOUGUERRA SAID THERE WAS POSSIBILITY THAT PLANT CAPACITY COULD BE SOMEWHAT LARGER THAN 10 BILLION CUBIC METERS PER YEAR NOW PLANNED. BOUGUERRA ADDED THAT SOME EUROPEAN CUSTOMERS WANTED TO BEGIN TO RECEIVE ADDITIONAL DELIVERIES OF ALGERIAN GAS IN 1980 WHILE OTHERS WANTED GAS IN 1981 OR 1982, WHICH WOULD ALSO AFFECT QUANTITIES EASCOGAS WOULD RECEIVE FROM ARZEW-II.

3. BOUGUERRA ALSO SAID THAT GO-AHEAD FOR ARZEW-II, WHICH LIKELY THIS YEAR, COULD WELL "TOUCH OFF" DECISION TO BEGIN WORK ON FURTHER LNG TRAINS-EITHER LINES 8-10 AT SKIKDA OR ARZEW-III TO SUPPLY OTHER US CONTRACTS SIGNED IN 1975. IN EFFECT THIS WOULD MEAN THAT SONATRACH MIGHT DECIDE TO GO AHEAD WITH ADDITIONAL LNG CONSTRUCTION WITHOUT WAITING FOR U.S.G. APPROVAL OF US CONTRACTS.

4. BOUGUERRA THEN TURNED TO ALGERIAN PLANS TO SATISFY SHORTER-TERM LNG CONTRACTS AND DISPOSITION OF LNG AVAILABLE FROM VARIOUS LINES AT SKIKDA, EITHER EXISTING OR UNDER CONSTRUCTION. BASED ON BOUGUERRA'S COMMENTS AND OTHER INFORMATION AVAILABLE TO EMBASSY, FOLLOWING APPEARS TO BE SONATRACH'S AVERAGE PLANNED PATTERN OF SALES FROM SKIKDA FACILITIES:

(ALL FIGURES ARE IN BILLION CUBIC METERS PER YEAR)

PRODUCTION FACILITY	PLANNED BEGINNING OF PRODUCTION	TOTAL OUTPUT	PURCHASES
SKIKDA I-II-III	IN PRODUCTION	3.9	GAS DE FRANCE 3.5

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		DISTRIGAS(US) 0.4	
SKIKDA IV	AUG 1976	1.8	ENAGAS (SPAIN) 1.25
	M		DISTRIGAS (US) 0.54
SKIKDA V-VI	AUG 1977 &		
		3.6	EASCOGAS (US) 1.0
	OCT 1977		ENAGAS 2.25

IN DISCUSSING ABOVE, BOUGUERRA NOTED (A) THAT GAZ DE

FRANCE PURCHASE OF 3.5 BCM/YR WOULD BE REDUCED UNDER  
TERMS OF ITS CURRENT CONTRACT TO 3.0 BCM/YR (APPARENTLY AS OF  
JAN 1978). SALE OF THIS GAS TO DISTRIGAS (US) WOULD  
COMPLETE DISTRIGAS' LONG-TERM CONTRACT AMOUNT, 1.25  
BCM/YR (SEE REFTTEL); (B) THOUGH ENAGAS CONTRACT WAS  
FOR 4.5 BCM/YR IT HAD BEEN DECIDED THAT ONE BILLION  
CUBIC METERS PER YEAR OF THIS AMOUNT WOULD GO TO  
EASCOGAS IN EARLY YEARS OF CONTRCT; (C) TOTAL OUTPUT  
OF SKIKDA I-II-III NOW RUNNING AT 105 PERCENT OF CAPACITY  
FIGURE NOTED ABOVE. (D) DISTRIGAS (US) HAS OPTION FOR  
ADDITIONAL QUANTITIES WHICH COULD ABSORB REMAINDER  
OF GAS AVAILABLE FROM SKIKDA V-VI.PARKER

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